



Agricultural Marketing Service

7 CFR Part 1260

[Doc. No. AMS-LP-22-0002]

Beef Promotion and Research Order; Reapportionment and Technical Amendment

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This rule adjusts representation on the Cattlemen's Beef Promotion and Research Board (Board), established under the Beef Promotion and Research Act of 1985 (Act), to reflect changes in domestic cattle inventories as well as changes in levels of imported cattle, beef, and beef products that have occurred since the Board was last reapportioned in July 2020. These adjustments are required by the Beef Promotion and Research Order (Order) and will result in a decrease in Board membership from 101 to 99, effective with the Secretary of Agriculture's (Secretary) appointments from nominees requested in Spring of 2023. This final rule also updates the list of Qualified State Beef Councils (QSBCs) in the Order by removing the Maryland Beef Industry Council which voted to dissolve their State beef council.

DATES: This rule is effective [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

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SUPPLEMENTARY INFORMATION:

Executive Orders 12866, 14094 and 13563

Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory

approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility. Executive Order 14094 reaffirms, supplements, and updates Executive Order 12866 and further directs agencies to solicit and consider input from a wide range of affected and interested parties through a variety of means. This rule is not a significant regulatory action within the meaning of Executive Order 12866. Accordingly, this action has not been reviewed by the Office of Management and Budget (OMB) under section 6 of the Executive Order.

Executive Order 12988

This rule has been reviewed under E.O. 12988, Civil Justice Reform and it is not intended to have retroactive effect.

Section 11 of the Act (7 U.S.C. 2910) provides that nothing in the Act may be construed to preempt or supersede any other program relating to beef promotion organized and operated under the laws of the U.S. or any State. There are no administrative proceedings that must be exhausted prior to any judicial challenge to the provisions of this rule.

Executive Order 13175

This rule has been reviewed under Executive Order 13175, Consultation and Coordination with Indian Tribal Governments, which requires agencies to consider whether their rulemaking actions would have Tribal implications. AMS has determined this proposed rule is unlikely to have substantial direct effects on one or more Indian Tribes, on the relationship between the Federal Government and Indian Tribes, or on the distribution of power and responsibilities between the Federal Government and Indian Tribes.

Congressional Review Act

Pursuant to the Congressional Review Act (5 U.S.C. 801 *et seq.*) the Office of Information and Regulatory Affairs designated this rule as not a major rule, as defined by 5 U.S.C. 804(2).

Paperwork Reduction Act

In accordance with OMB regulations (5 CFR part 1320) that implement the Paperwork Reduction Act of 1995 (44 U.S.C. 35), the information collection and recordkeeping requirements contained in the Order and accompanying Rules and Regulations have previously been approved by OMB and were assigned OMB control number 0581-0093.

Background

The Board was initially appointed on August 4, 1986, pursuant to the provisions of the Act (7 U.S.C. 2901-2911), and the Order issued thereunder. Domestic representation on the Board is based on cattle inventory numbers, while importer representation is based on the conversion of the volume of imported cattle, beef, and beef products into live animal equivalencies.

Reapportionment

Section 1260.141(b) of the Order provides that the Board shall be composed of cattle producers and importers appointed by the Secretary from nominations submitted by certified producer and importer organizations. A producer may only be nominated to represent the State or unit in which that producer is a resident.

Section 1260.141(c) of the Order provides that at least every 3 years, but not more than every 2 years, the Board shall review the geographic distribution of cattle inventories throughout the United States and the volume of imported cattle, beef, and beef products and, if warranted, shall reapportion units and/or modify the number of Board members from units in order to reflect the geographic distribution of cattle production volume in the United States and the volume of cattle, beef, or beef products

imported into the United States. Further, § 1260.141(d) allows the board to recommend to the Secretary a modification in the number of cattle per unit necessary for representation of Board seats.

Section 1260.141(e)(1) provides that each geographic unit or State that includes a total cattle inventory equal to or greater than 500,000 head of cattle shall be entitled to one representative on the Board. Section 1260.141(e)(2) provides that States that do not have total cattle inventories equal to or greater than 500,000 head shall be grouped, to the extent practicable, into geographically contiguous units, each of which have a combined total inventory of not less than 500,000 head. Such grouped units are entitled to at least one representative on the Board. Each unit is entitled to an additional Board member for each additional 1 million head of cattle within the unit, as provided in §1260.141(e)(4). Further, as provided in §1260.141(e)(3), importers are represented by a single unit, with their number of Board members based on a conversion of the total volume of imported cattle, beef, or beef products into live animal equivalencies.

Section 1260.141(f) of the Order states in determining the volume of cattle within the units, the Board and the Secretary shall utilize the information received by the Board pursuant to §§ 1260.201 and 1260.202 industry data and data published by USDA. The producer representation is based on an average of the inventory of cattle in the various States on January 1 in 2020, 2021, and 2022 as reported by USDA's National Agricultural Statistics Service (NASS). The importer representation is based on a combined total average of the 2019, 2020, and 2021 live cattle imports as published by USDA's Economic Research Service (ERS) and the average of the 2019, 2020, and 2021 live animal equivalents for imported beef and beef products.

In considering reapportionment, the Board reviewed cattle inventories as of January 1 in 2020, 2021, and 2022, as well as cattle, beef, and beef product import data for the period of January 1, 2019, to December 31, 2021. The Board determined that an

average of the inventory of cattle on January 1 in 2020, 2021, and 2022 best reflect the number of cattle in each State or unit since publication of the last reapportionment rule in 2020 (85 FR 39461). The Board reviewed data published by ERS to determine proper importer representation. The Board recommended the use of the average of a combined total of the 2019, 2020, and 2021 cattle import data and the average of the 2019, 2020, and 2021 live animal equivalents for imported beef products. The method used to calculate the total number of live animal equivalents was the same as that used in the previous reapportionment of the Board. The live animal equivalent weight was changed in 2006 from 509 pounds to 592 pounds (71 FR 47074).

As discussed in the proposed rule, the Board's recommended reapportionment plan would decrease the number of representatives on the Board from 101 to 100. Based on the Board's recommendation, Idaho would gain one seat, Montana would lose one seat, Pennsylvania would lose one seat, and Wisconsin would maintain their four seats. This final rule, however, results in Wisconsin losing one seat. The States and units affected by the reapportionment plan and the current and revised representation per unit are as follows:

State/Unit	Increase/Decrease	Current Representation	Revised Representation
Idaho	+1	2	3
Montana	-1	3	2
Pennsylvania	-1	2	1
Wisconsin	-1	4	3
Net Change	-2		

The Board reapportionment takes effect in the 2023 nomination process and the number of board members the Secretary appointments to fill positions early in the year 2024 will reduce from 101 to 99.

Technical Amendment

The final rule updates the list of QSBCs in the Order by removing the Maryland

Beef Industry Council which unanimously voted to dissolve their State beef council during the September 14, 2022, board meeting.

Summary of Comments

AMS published the proposed rule for public comment on May 1, 2023 (88 FR 27415). The comment period ended on June 1, 2023. AMS received 12 timely comments. AMS conducted a review of the comments and determined that three of the twelve comments were outside the scope of the rulemaking. Of the remaining nine comments, AMS analyzed the comments and grouped them into the below categories.

Unforeseen Events

Several of the comments mentioned the COVID-19 pandemic and the drought's impact on the beef industry.

The majority of the comments received were a form letter opposing Wisconsin losing a seat and arguing several factors including that the pandemic caused record low milk prices. During the early part of the pandemic, dairy producers in Wisconsin faced a surplus of milk because of the rapid decrease in price. In addition, three producers and seven cattle, dairy, and farm associations in Wisconsin, stated that the average milk prices paid to Wisconsin farmers in 2020 were \$18.90, in 2021 it was \$17.10, and by May of 2022 the price of milk was up to \$25.21. Further the commenters stated that due to increases in milk price, dairy cow numbers are expected to continue to grow; potentially, by January 31 – putting Wisconsin herd size back over 3.5 million.

In response, USDA acknowledges that a pandemic was in place from approximately from March 2020 to May 2023, which caused unforeseen industry-wide supply chain issues. The pandemic not only impacted the state of Wisconsin but has had a significant impact on a large portion of the U.S. and the U.S. farming and cattle industry. Thus, to only consider the impact of the pandemic on one state and not the entire cattle industry nationwide would create an inequity. Accordingly, USDA takes the

position that as an industry the impact is widespread and thus the numbers as presented for cattle inventories as of January 1 in 2020, 2021, and 2022, are the fairest and most accurate representation of the current industry numbers.

Another commenter argued that the drought negatively impacted herd numbers in the state because it changed Wisconsin's place in the cattle production cycle.

USDA acknowledges that for the reapportionment that took place on August 12, 2014 (79 FR 46961) for appointments that were seated in 2015, at that time the drought that had taken place in Texas was taken into consideration. Texas was slated to lose two board seats due to cattle inventory decrease related to a three-year loss of cattle inventory due to severe drought. Due to the turnaround in environmental and economic conditions along with reports indicating that cattle were moving back into Texas from other states and the total herd inventory would be back up prior to reapportionment taking place, the USDA issued only a loss of one seat rather than two as was outlined in the proposed rule.

However, it is important to note that in the 2015 reapportionment the environmental factors, in that case the drought, significantly impacted one state in particular, Texas and lasted several years spanning from 2011 to 2013, with 2011 being one of the worst droughts in the State's history. In contrast, under the current circumstances, a large portion of the United States was impacted by drought over the past 3 years which affected the entire cattle inventory. According to the USDA, Economic Research Service (ERS), the Western States experienced extreme or exceptional drought and, in some cases, severe drought conditions the past few years, with the most severe conditions being reported in Nebraska, Kansas, Oklahoma, Texas, New Mexico, and Oregon. Based on this data, it is clear that the current drought conditions have not only impacted the state of Wisconsin but has had a significant impact on a large portion of the U.S. and the U.S. farming and cattle industry. Thus, to only consider the impact of the drought on one state and not the entire cattle industry nationwide would create an

inequity. Accordingly, USDA takes the position that as an industry the impact is widespread and thus the numbers as presented for cattle inventories as of January 1 in 2020, 2021, and 2022, are the fairest and most accurate representation of the current industry numbers.

One comment opposed Montana losing a seat similarly arguing that the drought impacted the number of herds in the state. They claimed, prior to the drought, herd numbers had been consistent since the 1980's. The drought caused a dip in 2021 and 2022; however, 2023 spring moisture has been promising for pastures. Further, according to the commentor, there is indication that Montana producers are starting to rebuild their herd and it is possible that Montana will be above 2.5 million again before the final rule goes into effect.

Again, USDA acknowledges that a large portion of the United States was impacted by drought over the past 3 years which impacted cattle inventory and again points out that in the previous reapportionment the environmental factors, in that case the drought, significantly impacted one state in particular, Texas and lasted several years spanning from 2011 to 2013, with 2011 being one of the worst droughts in the State's history. Once more, based on data provided by the USDA ERS, it is clear that the current drought conditions have not only impacted the state of Montana but has had a significant impact on a large portion of the U.S. and the U.S. farming and cattle industry and thus, to only consider the impact of the drought on one state and not the entire cattle industry nationwide would create an inequity. Accordingly, USDA takes the position that as an industry the impact is widespread and thus the numbers as presented for cattle inventories as of January 1 in 2020, 2021, and 2022, are the fairest and most accurate representation of the current industry numbers.

Lastly, although it is important to acknowledge these events play a role in the cattle inventory numbers, it is also important to note that the Order is silent on how Board

seats would be impacted by natural events. The Order does specify the formula for determining the number of Board seats and USDA uses a 3-year average to attain a representative number within a State. Any change would need to be applied to the entirety of the assessment-paying population as the Act and Order govern all cattle producers and importers and all geographical units.

Cattle Inventory Margin of Error and Survey Response Rate

Eight of the nine comments stated opposition to Wisconsin losing a seat due to the margin of error associated with the statistical methodology used for determining cattle inventory numbers per state for the 3-year period reviewed. As mentioned in one of the comments, Wisconsin was 33,000 head short of maintaining their fourth seat on the Board. The average coefficient of variation for Wisconsin's total cattle inventory in 2020, 2021, and 2022 cattle inventory reports is 3.4 percent (+34,000 head). Since the coefficient of variation is greater than the amount by which the inventory is under the 3.5 million threshold, then Wisconsin should be allowed to retain their fourth seat.

According to the January 1, 2023, cattle inventory numbers published, the State of Wisconsin was at 3.4 million. However, it was reported by the Wisconsin Ag Statistician that only 60 percent of surveys were returned, which questions whether the 3.4 million head is an accurate reflection of current cattle inventory.

In response, the Order is silent on whether other factors such as cattle inventory margin of error and survey response rate should be taken into consideration when determining the total cattle inventory. Section 1260.141(e)(1) of the Order states that each geographic unit or State that includes a total cattle inventory equal to or greater than 500,000 head of cattle shall be entitled to one representative on the Board. Section 1260.141(e)(4) specifically states that each unit is entitled to an additional Board member for each additional 1 million head of cattle within the unit.

USDA acknowledges the Board's recommendation as provided by § 1260.141(d)

which states that the Board may recommend to the Secretary a modification in the number of cattle per unit necessary for representation on the Board. However, § 1260.141(d) applies only to a recommended change based on cattle inventory¹ and not the other factors used in the Board's current recommendation for this rule.

Further, the point estimates published by NASS are the official USDA estimates of inventory. In preparing these estimates, NASS takes into account all available and relevant data and makes the necessary adjustments based on factors such as response rate. NASS publishes the measures of uncertainty to provide transparency and context around the estimates, however making further adjustments for these purposes would introduce inconsistencies to the process and departure from the official USDA inventory estimates.

Thus, to consider other factors such as the margin of error and the survey response rate to the reapportionment of the Board, regulatory changes which require notice-and-comment rulemaking, would be necessary to make those clarifications to the Order. Any change contemplated by additional rulemaking would need to be applied to the entirety of the assessment-paying population as the Act and Order govern all cattle producers and importers and all geographical units.

Diversity

One commenter mentioned that Wisconsin is a State that includes beef and dairy producers, and allowing Wisconsin to maintain their fourth seat will ensure the Board has a strong and diverse representation from all sectors. One additional commentor opposed to Montana losing a seat because the State is home to 12 tribal nations that are already underrepresented on the Board.

It is USDA's policy concerning nominations to the Board that the Board's membership should be open to all individuals without regard based on race, color, religion, national origin, age, sex, sexual orientation, disability, marital or familial status,

¹ Sections 1260.141.(c) and (e) use cattle inventories in calculating reapportionment numbers.

political beliefs, parental status, receipt of public assistance, or protected genetic information. Board membership should also reflect the diversity of the industries in experience of members, methods of production and distribution, marketing strategies, and other distinguishing factors that will bring different perspectives and ideas to the tables. Emphasis should also be placed on the knowledge, skills, and abilities of the Board to serve and represent the diverse interests of assessment paying producers.

Thus, the number of members on the Board should not dictate the level of diversity on the Board.

Regulatory Flexibility Act

Pursuant to the requirements set forth in the Regulatory Flexibility Act (RFA) (5 U.S.C. 601 *et seq.*), AMS has considered the economic effect of this action on small entities and has determined that this rule will not have a significant economic impact on a substantial number of small entities. The purpose of RFA is to fit regulatory actions to the scale of businesses subject to such actions in order that small businesses will not be unduly burdened.

In 2022, the Small Business Administration (SBA) (13 CFR part 121.201) published a final rule (84 FR 64013) that updated its size standards based on income or employee numbers for various small business falling under the North American Industry Classification System (NAICS). Within that rule, the SBA threshold for “Beef Cattle Ranching and Farming” (NAICS code 112111) operations to qualify small businesses was raised from annual sales of \$1 million or less to annual sales of \$2.5 million or less.

According to the NASS 2017 Census of Agriculture, the number of U.S. operations with beef cattle totaled 729,046 and with cattle of any type totaled 882,692². The same Census of Agriculture data shows that roughly 4 percent of operations with cattle, or 31,476 operations, have annual sales receipts of \$1,000,000 or more, the small

² <https://www.nass.usda.gov/AgCensus/index.php>

business standard prior to the 2022 revision.³ No further breakout in the Census of Agriculture data is made to account for the new, higher SBA standard. However, the vast majority of cattle producers, 96 percent, would be considered small businesses under the new SBA standards. It should be noted that producers are only indirectly impacted by the rule.

Cattle, beef, and veal importers are also impacted by the rule. Based on data available on membership in the Meat Import Council of America, AMS estimates that approximately 190 firms import beef or beef products. AMS is not aware of any data that reports the number of beef-importing entities that meet the SBA definition of small businesses.

In addition to cattle producers, affected entities under this rule change include meat and meat-product merchant wholesalers (wholesalers), classified under NAICS code 424470, and meat processors from carcass (processors), classified under NAICS code 311612. The SBA thresholds for both these businesses to qualify as small are that they have fewer than 1,000 employees. The most current data from the Census of Manufacturing states that all 2,376 wholesalers were small businesses (in 2017)⁴ and that all 1,423 processors were small business (in 2020)⁵.

Recent import trade data was also considered for understanding the overall dynamics of this industry segment. The Foreign Agricultural Service reports monthly trade data for traded agricultural products by product type. Based on analysis of that trade data and consumption data collected in the USDA's World Agricultural Demand and Supply Estimates, over the 2017 to 2022 period, cattle imports ranged between 1.8 percent and 2.3 percent of the total cattle inventory and that beef imports ranged from 9.8

3 <https://quickstats.nass.usda.gov/results/758A0A38-2BF4-39CE-90EF-A581BFEA3E81>

4 https://data.census.gov/profile/424470__Meat_and_meat_product_merchant_wholesalers?g=0100000US&n=424470

5 https://data.census.gov/profile/311612_-_Meat_and_meat_product_merchant_wholesalers?g=0100000US&n=311612

percent to 10.7 percent of total supply. Veal imports during that time were negligible as a share of domestic production.

The rule imposes no new burden on the industry, as it only adjusts representation on the Board to reflect changes in domestic cattle inventory, as well as in cattle and beef imports. Additionally, the Order §1260.141 does not take into consideration the margin of error when analysis is conducted. Therefore, the Secretary is applying the Order guidance without using the NASS margin of error to adjust Board membership from 101 to 99.

AMS is committed to complying with the E-Government Act of 2002 to promote the use of the Internet and other information technologies to provide increased opportunities for citizen access to government information and services, and for other purposes.

USDA has not identified any relevant federal rules that duplicate, overlap, or conflict with this rule.

List of Subjects in 7 CFR Part 1260

Administrative practice and procedure, Advertising, Agricultural research, Imports, Marketing agreements, Meat and meat products, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, the Agricultural Marketing Service amends 7 CFR part 1260 as follows:

PART 1260 – BEEF PROMOTION AND RESEARCH

1. The authority citation for 7 CFR part 1260 continues to read as follows:

Authority: 7 U.S.C. 2901-2911 and 7 U.S.C. 7401.

2. Revise § 1260.141 paragraph (a) and the table immediately following to read as follows:

§ 1260.141 Membership of Board.

(a) Beginning with the 2023 Board nominations and the associated appointments effective early in the year 2024, the United States shall be divided into 38 geographical units and 1 unit representing importers, for a total of 39 units. The number of Board members from each unit shall be as follows:

Table 1 to Paragraph (a) – Cattle and Calves ¹

State/Unit	(1,000 Head)	Directors
1. Alabama	1,285	1
2. Arizona	967	1
3. Arkansas	1,733	2
4. Colorado	2,700	3
5. Florida	1,670	2
6. Georgia	1,077	1
7. Idaho	2,507	3
8. Illinois	1,047	1
9. Indiana	833	1
10. Iowa	3,800	4
11. Kansas	6,483	6
12. Kentucky	2,073	2
13. Louisiana	777	1
14. Michigan	1,137	1
15. Minnesota	2,203	2
16. Mississippi	917	1
17. Missouri	4,217	4
18. Montana	2,383	2
19. Nebraska	6,800	7
20. New Mexico	1,373	1
21. New York	1,433	1
22. North Carolina	798	1
23. North Dakota	1,893	2
24. Ohio	1,283	1
25. Oklahoma	5,217	5
26. Oregon	1,260	1
27. Pennsylvania	1,430	1
28. South Dakota	3,900	4
29. Tennessee	1,783	2
30. Texas	12,900	13
31. Utah	803	1

32. Virginia	1,410	1
33. Wisconsin	3,467	3
34. Wyoming	1,290	1
35. Northwest Unit		
Alaska	17	
Hawaii	142	
Washington	1,157	
Total	1,316	1
36. Northeast Unit		
Connecticut	48	
Delaware	13	
Maine	77	
Maryland	174	
Massachusetts	36	
New Hampshire	32	
New Jersey	26	
Rhode Island	4	
Vermont	248	
Total	658	1
37. Mid-Atlantic Unit		
South Carolina	327	
West Virginia	380	
Total	707	1
38. Southwest Unit		
California	5,167	
Nevada	465	
Total	5,632	6
39. Importers Unit ²	7,466	7

^{1/} 2020, 2021, and 2022 average of January 1 cattle inventory data.

^{2/} 2019, 2020, and 2021 average of annual import data.

§ 1260.315 [Amended]

3. Amend § 1260.315 by:

a. Removing paragraph (q); and

b. Redesignating paragraphs (r) through (rr) as paragraphs (q) through (qq), respectively.

Melissa Bailey,

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Agricultural Marketing Service.

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